

BRANDON SCHOOL DISTRICT
ORTONVILLE, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II - VIII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Statement of Changes in Fiduciary Net Assets	6
Budgetary Comparison Schedules:	
General Fund	7
Notes to the Financial Statements	8 – 20
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	22
Combining Balance Sheet – School Service Fund	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Fund	24
Combining Balance Sheet – Debt Retirement Fund	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Fund	26
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	27
Schedule 2 - General Fund - Schedule of Expenditures	28
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	29 – 31
Schedule 4 - Schedule of Bond Principal and Interest Requirements	32 – 34



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 3, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Brandon School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brandon School District, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Brandon School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

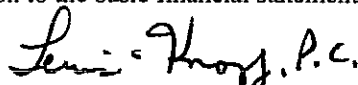
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brandon School District as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 3, 2007 on our consideration of the Brandon School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II – VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brandon School District's basic financial statements. The additional information on pages 21 - 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BRANDON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Brandon School District's Administration's discussion and analysis of the financial results for the year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BRANDON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Brandon School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$78,387,869	\$84,734,548
Non-Current Assets	<u>48,000,532</u>	<u>37,578,297</u>
<u>TOTAL ASSETS</u>	<u>\$126,388,401</u>	<u>\$122,312,845</u>
<u>LIABILITIES</u>		
Current Liabilities	\$15,124,937	\$11,584,071
Long-Term Liabilities	<u>109,927,989</u>	<u>111,243,267</u>
Total Liabilities	\$125,052,926	\$122,827,338
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	10,140,544	4,955,453
Restricted - Debt Service	380,855	1,317,734
Unrestricted	<u>(9,185,924)</u>	<u>(6,787,680)</u>
Total Net Assets	<u>\$1,335,475</u>	<u>(\$514,493)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$126,388,401</u>	<u>\$122,312,845</u>

BRANDON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the year ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>Program Revenue</u>		
Charges for Services	\$1,177,646	\$1,266,531
Operating Grants	<u>4,312,475</u>	<u>4,600,941</u>
Total Program Revenue	\$5,490,121	\$5,867,472
<u>General Revenue</u>		
Property Taxes	6,580,889	6,397,712
State Aid	23,511,029	22,996,939
Other	<u>4,337,684</u>	<u>1,007,763</u>
Total General Revenue	<u>\$34,429,602</u>	<u>\$30,402,414</u>
Total Revenues	\$39,919,723	\$36,269,886
<u>EXPENSES</u>		
Instruction & Instructional Support	17,789,669	16,574,776
Support Services	11,506,186	12,043,118
Community Services	358,560	252,796
Food Service	915,010	888,871
Athletics	608,753	642,745
Childcare	346,267	351,730
Interest on Long-Term Debt	5,248,451	2,157,601
Depreciation	<u>1,296,859</u>	<u>1,314,367</u>
Total Expenses	<u>\$38,069,755</u>	<u>\$34,226,004</u>
<u>INCREASE IN NET ASSETS</u>	\$1,849,968	\$2,043,882
<u>BEGINNING NET ASSETS (DEFICIT)</u>	<u>(514,493)</u>	<u>(2,558,375)</u>
<u>ENDING NET ASSETS (DEFICIT)</u>	<u><u>\$1,335,475</u></u>	<u><u>(\$514,493)</u></u>

BRANDON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$1,849,968 to a total of \$1,335,475. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$5,185,091 during the year due to principal payments on related debt and the purchase of new capital assets exceeding depreciation. The deficit in unrestricted net assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The districts Unrestricted Net Assets decreased by \$2,398,244 during the year and the restricted portion of the net assets decreased by \$936,879. The restricted Net Assets consist of debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall revenues exceeded its expenses for the year by \$1,849,968. The total revenues increased by \$3,649,837 or 10% over last years amounts. The major change was an increase in investments earnings and state aid. Expenditures increased by \$3,843,751 or 11% over last years amounts. Major changes were due to the construction project and the issuance of a employee severance plan.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$749,862 during the year with the increase coming primarily in cash. Revenues for the year decreased by \$93,656 primarily due to decreases in the foundation allowance that were off set by a change in the state retirement rate. Expenditures and other financing uses decreased by \$498,119, primarily due to the above decrease in the State Retirement rate which caused less expenditures. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Brandon School District foundation allowance was \$7,085 per student for the 2006-2007 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 3,663 students. A decrease of 34 students from the prior year.

BRANDON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9496 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 year was \$1,665,850. An increase of \$60,234 from the prior year.

2006 Capital Projects Fund

The districts Capital projects fund balance decreased by \$8,303,769 as the District continues the construction project.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$29,834,773	\$29,870,159	\$29,805,422	0.12	0.22
Expenditures	30,281,189	30,240,159	29,055,560	0.14	3.92
<u>TOTAL</u>	<u>(\$446,416)</u>	<u>(\$370,000)</u>	<u>\$749,862</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming year prior to July 1, the start of the year.

As a matter of practice, Brandon School District amends its budget during the school year. The June, 2007 budget amendment was the final budget for the year.

Original vs. Final Budgets

Revenues

The variance in the amount of the original budget and the final budget is due to a change in the monies received from the foundation allowance, because of the change in the state retirement rate.

Expenditures

The variance in the amount of the original budget and the final budget expenditures is due to the above change in the state retirement rate which allowed us not to expend all the money budgeted for benefits.

BRANDON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budgets

Revenues

The variance in the amount of the final budget and actual revenue is due to a change in the monies received from the foundation allowance, because of the change in the state retirement rate.

Expenditures

The variance in the amount of the final budget and actual expenditures is due to the above change in the state retirement rate which allowed us not to expend all the money budgeted for benefits.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
Bonds Payable	\$104,779,568	\$0	\$2,950,000	\$101,829,568
MI School Bond Loan Fund	7,858,244	1,318,859	0	9,177,103
Contract Payable	260,000	0	20,000	240,000
Installment Contract	515,462	0	96,625	418,837
Employee Severance Plan	0	1,246,409	0	1,246,409
Compensated Absences	936,505	0	179,252	757,253
<u>Total Long-Term Bond Obligations</u>	<u>\$114,349,779</u>	<u>\$2,565,268</u>	<u>\$3,245,877</u>	<u>\$113,669,170</u>

On March 12, 2007, the District entered into an Employee Severance Plan with the teacher's bargaining group. The plan is administered by Educators Preferred Corporation and is payable over 3 years beginning with the 2007-2008 school year. The outstanding balance of the plan at June 30, 2007 was \$1,246,410.

B. Capital Assets

The district's net investment in capital assets decreased by \$767,327 during the year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$62,787,688	\$566,081	\$0	\$63,353,769
Less: Accumulated Depreciation	(25,360,877)	(1,333,408)	0	(26,694,285)
<u>Net Investment Capital Outlay</u>	<u>\$37,426,811</u>	<u>(\$767,327)</u>	<u>\$0</u>	<u>\$36,659,484</u>

Significant additions were the purchase of ten buses.

BRANDON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,108 per pupil for the 07-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.72% in 07-08 from 17.74% in 06-07.

* The Brandon School District's 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$29,101,434
<u>EXPENDITURES</u>	<u>29,101,434</u>
<u>NET (UNDER) BUDGET</u>	<u><u>\$0</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Brandon School District.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$5,352,786
Investments	67,371,785
Accounts Receivable	39,264
Taxes Receivable	22,248
Interest Receivable	73,354
Due from Other Governmental Units	4,961,039
Due from Other Funds	21,452
Inventory	10,943
Prepaid Expenses	534,998
Total Current Assets	<u>\$78,387,869</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	11,541,048
Capital Assets	63,353,769
Less: Accumulated Depreciation	<u>(26,894,285)</u>
Total Noncurrent Assets	<u>\$48,000,532</u>
<u>TOTAL ASSETS</u>	<u>\$126,388,401</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$2,995,775
State Aid Note Payable	3,200,000
Salaries Payable	2,004,244
Accrued Expenses	3,156,233
Deferred Revenue	27,504
Current Portion of Long-Term Obligations	<u>3,741,181</u>
Total Current Liabilities	<u>\$15,124,937</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>109,927,989</u>
<u>TOTAL LIABILITIES</u>	<u>\$125,052,926</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	10,140,544
Restricted for:	
Debt Retirement	380,855
Unrestricted	<u>(9,185,924)</u>
Total Net Assets	<u>\$1,335,475</u>
<u>TOTAL NET ASSETS</u>	<u>\$126,388,401</u>

See accompanying notes to the basic financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue & Change in Net Assets
		Charges For Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$17,789,669	\$92,651	\$3,745,331	(\$13,951,687)
Support Services	11,506,186	83,450	155,122	(11,267,614)
Community Services	358,560	78,468	0	(280,092)
Food Service	915,010	569,804	355,922	10,716
Athletics	608,753	120,993	0	(487,760)
Childcare	346,267	232,280	56,100	(57,887)
Interest - Long-Term Obligations	5,248,451	0	0	(5,248,451)
Depreciation - Unallocated	1,296,859	0	0	(1,296,859)
<u>TOTALS</u>	<u>\$38,069,755</u>	<u>\$1,177,646</u>	<u>\$4,312,475</u>	<u>(\$32,579,634)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				6,580,889
State Aid				23,511,029
Investment Earnings				4,069,009
Miscellaneous				268,675
Total General Revenues and Transfers				<u>\$34,429,602</u>
Change in Net Assets				<u>\$1,849,968</u>
Net Assets - Beginning				<u>(514,493)</u>
<u>Net Assets - Ending</u>				<u>\$1,335,475</u>

See accompanying notes to the basic financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	2006 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$4,459,935	\$0	\$892,851	\$5,352,786
Investments	0	67,371,785	0	67,371,785
Accounts Receivable	39,264	0	0	39,264
Taxes Receivable	0	0	22,248	22,248
Interest Receivable	0	73,354	0	73,354
Due From Other Governmental Units	4,944,755	0	16,284	4,961,039
Due From Other Funds	1,988,718	5,698	1,452,303	3,446,719
Inventory	0	0	10,943	10,943
Prepaid Expenses	534,998	0	0	534,998
<u>TOTAL ASSETS</u>	<u>\$11,967,670</u>	<u>\$67,450,837</u>	<u>\$2,394,629</u>	<u>\$81,813,136</u>
<u>LIABILITIES</u>				
Accounts Payable	\$171,726	\$2,822,420	\$1,629	\$2,995,775
State Aid Note Payable	3,200,000	0	0	3,200,000
Due to Other Funds	1,448,421	0	1,976,846	3,425,267
Salaries Payable	2,004,244	0	0	2,004,244
Deferred Revenue	27,504	0	0	27,504
Total Liabilities	\$6,851,895	\$2,822,420	\$1,978,475	\$11,652,790
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	10,943	10,943
Prepaid Expenses	534,998	0	0	534,998
Debt Retirement	0	0	380,855	380,855
Capital Projects	0	64,628,417	(4,701)	64,623,716
Unreserved:				
Undesignated, Reported In:				
General Fund	4,580,777	0	0	4,580,777
School Service Funds	0	0	29,057	29,057
Total Fund Balances	<u>\$5,115,775</u>	<u>\$64,628,417</u>	<u>\$416,154</u>	<u>\$70,160,346</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$11,967,670</u>	<u>\$67,450,837</u>	<u>\$2,394,629</u>	<u>\$81,813,136</u>

See accompanying notes to the basic financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:	\$70,160,346
-----------------------------------	--------------

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$62,787,688 and the accumulated depreciation is \$25,360,237	36,459,484
---	------------

Construction in Progress	11,541,048
--------------------------	------------

Accrued Interest on Long-Term Debt	(3,156,233)
------------------------------------	-------------

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$101,829,568	
MI School Bond Loan Fund	9,177,103	
Installment Contract and Contract Payable	658,837	
Employee Severance Pay	1,246,409	
Compensated Absences Payable	<u>757,253</u>	
Total Long-Term Liabilities		<u>(113,669,170)</u>

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$1,335,475</u>
---	--------------------

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	2006 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$2,457,964	\$3,581,165	\$6,133,533	\$12,172,662
State Sources	25,141,574	0	107,046	25,248,620
Federal Sources	1,101,953	0	304,976	1,406,929
Total Revenues	<u>\$28,701,491</u>	<u>\$3,581,165</u>	<u>\$6,545,555</u>	<u>\$38,828,211</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	16,549,818	0	0	16,549,818
Student Services	1,734,021	0	0	1,734,021
Instructional Support	914,098	0	0	914,098
General Administration	410,521	0	0	410,521
School Administration	1,510,223	0	0	1,510,223
Business Administration	674,337	0	0	674,337
Operation & Maintenance	3,226,916	0	0	3,226,916
Transportation	1,954,299	0	0	1,954,299
Support Services - Other	726,295	0	0	726,295
Community Services	358,560	0	0	358,560
Food Service	0	0	926,548	926,548
Athletics	0	0	555,032	555,032
Childcare	0	0	346,267	346,267
Debt Retirement	0	0	7,437,221	7,437,221
Capital Outlay	0	11,884,934	2,100	11,887,034
Total Expenditures	<u>\$28,059,088</u>	<u>\$11,884,934</u>	<u>\$9,267,168</u>	<u>\$49,211,190</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$642,403	(\$8,303,769)	(\$2,721,613)	(\$10,382,979)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(465,015)	0	465,015	0
Bond Proceeds	0	0	1,318,859	1,318,859
Other Transfers	572,474	0	0	572,474
Total Other Financing Sources (Uses)	<u>\$107,459</u>	<u>\$0</u>	<u>\$1,783,874</u>	<u>\$1,891,333</u>
Net Change in Fund Balance	<u>\$749,862</u>	<u>(\$8,303,769)</u>	<u>(\$937,739)</u>	<u>(\$8,491,646)</u>
<u>FUND BALANCE - BEGINNING</u>	<u>4,365,913</u>	<u>72,932,186</u>	<u>1,353,893</u>	<u>78,651,992</u>
<u>FUND BALANCE - ENDING</u>	<u>\$5,115,775</u>	<u>\$64,628,417</u>	<u>\$416,154</u>	<u>\$70,160,346</u>

See accompanying notes to the basic financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	(\$8,491,646)
--	---------------

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(967,327)
--	-----------

Construction in Progress	11,389,562
--------------------------	------------

Bond and Debt Proceeds	(1,318,859)
------------------------	-------------

Issuance of Severance Package	(1,246,409)
-------------------------------	-------------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	3,066,625
--	-----------

Change in accrued interest on long-term liabilities	(761,230)
---	-----------

Decrease in accrued compensated absences	<u>179,252</u>
--	----------------

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,849,968</u>
--	--------------------

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	Student Groups	Fletcher/ Jones Endowment	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$307,091	\$28,403	\$335,494
<u>TOTAL ASSETS</u>	\$307,091	\$28,403	\$335,494
<u>LIABILITIES</u>			
Due to Other Funds	20,452	1,000	21,452
Due to Student Groups	286,639	0	286,639
Total Liabilities	\$307,091	\$1,000	\$308,091
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$27,403</u>	<u>\$27,403</u>

See accompanying notes to the basic financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Fletcher/ Jones Endowment</u>
<u>ADDITIONS</u>	
Donations	\$5,000
Interest	<u>1,232</u>
Total Additions	\$6,232
 <u>DEDUCTIONS</u>	
Scholarships and Other Expenses	<u>0</u>
 <u>CHANGE IN NET ASSETS</u>	\$6,232
 <u>NET ASSETS - BEGINNING OF YEAR</u>	<u>22,171</u>
 <u>NET ASSETS - END OF YEAR</u>	<u>\$28,403</u>

See accompanying notes to the basic financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$2,052,083	\$2,123,721	\$2,457,964	\$334,243
State Sources	25,365,744	25,041,666	25,141,574	99,908
Federal Sources	1,136,393	1,254,094	1,101,953	(152,141)
Total Revenues	\$28,554,220	\$28,419,481	\$28,701,491	\$282,010
<u>EXPENDITURES</u>				
Current:				
Instruction	17,473,060	17,053,688	16,549,818	503,870
Student Services	1,605,374	1,871,676	1,734,021	137,655
Instructional Support	1,139,128	1,011,344	914,098	97,246
General Administration	386,287	407,848	410,521	(2,673)
School Administration	1,524,148	1,607,330	1,510,223	97,107
Business Administration	605,863	709,472	674,337	35,135
Operation & Maintenance	3,467,166	3,394,802	3,226,916	167,886
Transportation	1,908,496	1,929,695	1,954,299	(24,604)
Support Services - Other	788,028	735,868	726,295	9,573
Community Services	268,637	399,731	358,560	41,171
Total Expenditures	\$29,166,187	\$29,121,454	\$28,059,088	\$1,062,366
Excess of Revenues Over Expenditures	(\$611,967)	(\$701,973)	\$642,403	\$1,344,376
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	165,551	331,973	107,459	(224,514)
Net Change in Fund Balance	(\$446,416)	(\$370,000)	\$749,862	\$1,119,862
<u>FUND BALANCE - BEGINNING</u>			4,365,913	
<u>FUND BALANCE - ENDING</u>			\$5,115,775	

See accompanying notes to the basic financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Brandon School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Childcare fund.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$1,500 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the District for these budgetary funds were adopted to the activity level.

During the year ended June 30, 2007, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

The District ended the year with deficits in the 2006 Debt Retirement Fund and the 1996 Capital Projects Fund.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Quality Rating</u>	<u>Portfolio %</u>
MILAF External Investment Pool - MICMS	\$583,778	0.0027	AAAm	0.87%
MILAF External Investment Pool - MIMAX	40,382,101	0.0027	AAAm	59.94%
US Agency Notes and Bonds	26,405,906	0.8300	AAAm	39.19%
<u>TOTAL</u>	<u>\$67,371,785</u>	<u>0.3270</u>		<u>100.00%</u>

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in investment pools which represents 100% of the District's total investments.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$5,230,707 of the District's bank balance of \$5,888,801 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$335,494	\$ 5,688,280
Investments	<u>67,371,785</u>
 <u>TOTAL</u>	 <u>\$ 73,060,065</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$307,091
Cash Private Purpose Trust	28,403
Cash – District Wide	5,352,786
Investments – District Wide	<u>67,371,785</u>
 <u>TOTAL</u>	 <u>\$ 73,060,065</u>

5) PROPERTY TAXES

The School District levies its property taxes in June and December and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 4,264,177
Federal Grants	562,253
Other Grants	<u>134,609</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 4,961,039</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had estimated claims of \$1,863 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$3,200,000 at 3.68% interest per annum on August 18, 2006, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid August 20, 2007.

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
State Aid Note	<u>\$3,950,000</u>	<u>\$3,200,000</u>	<u>\$3,950,000</u>	<u>\$3,200,000</u>

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$52,981,411	\$133,910	\$0	\$53,115,321
Equipment and Furniture	7,058,828	30,081	0	7,088,909
Vehicles	<u>2,747,449</u>	<u>402,090</u>	<u>0</u>	<u>3,149,539</u>
Totals at Historical Cost	\$62,787,688	\$566,081	\$0	\$63,353,769
Less: Accumulated Depreciation				
Buildings and Improvements	(18,111,355)	(1,132,815)	0	(19,244,170)
Equipment and Furniture	(5,308,167)	(22,708)	0	(5,330,875)
Vehicles	<u>(1,941,355)</u>	<u>(177,885)</u>	<u>0</u>	<u>(2,119,240)</u>
Total Accumulated Depreciation	<u>(\$25,360,877)</u>	<u>(\$1,333,408)</u>	<u>\$0</u>	<u>(\$26,694,285)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$37,426,811</u>	<u>(\$767,327)</u>	<u>\$0</u>	<u>\$36,659,484</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 172,693
Support	2,263
Food Service	7,872
Athletics	53,721
Unallocated	<u>1,296,859</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 1,533,408</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Construction in Progress	\$ 11,541,048
Capital Assets	63,353,769
Less: Accumulated Depreciation	(26,894,285)
Less: Long-Term Liabilities	(113,669,170)
MI School Bond Loan Fund	9,177,103
Compensated Absences	757,253
Employee Severance Pay	1,246,409
2006 Capital Projects Fund Equity	<u>64,628,417</u>
 <u>TOTAL</u>	 <u>\$ 10,140,544</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$227,027 and the District received a refund of \$58,152.

11) LONG-TERM LIABILITIES

A) Durant Resolution Package Bonds

Brandon School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$786,787 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$464,568.

B) 1995 Refunding Bonds

Brandon School District has issued General Obligation Bonds dated October 24, 1995 in the amount of \$7,920,000. The bonds mature serially through May 1, 2009, at varying principal amounts. Interest rates on the bonds range from 3.85% to 5.40% per annum. The balance of the bonds at June 30, 2007, was \$1,625,000.

C) 1998 Refunding Bonds

Brandon School District has issued General Obligation Bonds dated February 17, 1998 in the amount of \$29,795,000. The bonds mature serially through May 1, 2026, at varying principal amounts. Interest rates on the bonds range from 3.85% to 5.10% per annum. The balance of the bonds at June 30, 2007, was \$27,415,000.

D) 2006 School Building and Site Bonds

Brandon School District has issued General Obligation Bonds dated June 14, 2006, in the amount of \$72,975,000, bearing interest at rates varying from 4.0% to 5.0% per annum. The balance of the bonds as of June 30, 2007 was \$72,325,000.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) LONG-TERM LIABILITIES (Continued)

E) Installment Contract

The District entered into an installment contract with Oxford Bank on July 25, 2005 for the purchase of ten buses. The contract requires annual payments of \$113,326 including interest at 3.24% per annum and matures on July 25, 2010. The balance at June 30, 2007 was \$418,837.

F) Contract Payable

The District entered into an contract payable in 1998 for \$460,000. The contract requires annual payments of \$20,000 for a period of 23 years and matures in 2021. The balance at June 30, 2007 was \$240,000.

G) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$2,353,045 has been assessed for the year ended June 30, 2007, and is included in the amount owing the State at that date. The principal balance as of June 30, 2007 was \$9,177,103.

H) Employee Severance Plan

On March 12, 2007, the District entered into an Employee Severance Plan with the teacher's bargaining group. The plan is administered by Educators Preferred Corporation and is payable over 3 years beginning with the 2007-2008 school year. The outstanding balance of the plan at June 30, 2007 was \$1,246,410.

I) Debt service requirements at June 30, 2007, were as follows:

	Bonds Payable	Contract Payable	Installment Contract	MI School Bond Loan	Employee Severance	Interest	Total
2008	\$3,175,000	\$20,000	\$99,756	\$0	\$446,425	\$4,766,793	\$8,507,974
2009	4,132,567	20,000	102,988	0	399,992	4,713,035	9,368,582
2010	4,120,870	20,000	106,324	0	399,992	4,441,248	9,088,434
2011	4,118,055	20,000	109,769	0	0	4,262,870	8,510,694
2012	4,110,340	20,000	0	0	0	4,083,013	8,213,353
2013-2017	20,232,736	100,000	0	0	0	17,528,574	37,861,310
2018-2022	20,040,000	40,000	0	0	0	12,644,004	32,724,004
2023-2027	18,500,000	0	0	0	0	7,808,250	26,308,250
2028-2032	13,000,000	0	0	0	0	4,160,000	17,160,000
2033-2036	10,400,000	0	0	0	0	1,222,000	11,622,000
Thereafter	0	0	0	9,177,103	0	0	9,177,103
<u>TOTAL</u>	<u>\$101,829,568</u>	<u>\$240,000</u>	<u>\$418,837</u>	<u>\$9,177,103</u>	<u>\$1,246,409</u>	<u>\$65,629,787</u>	<u>\$178,541,704</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) LONG-TERM LIABILITIES (Continued)

I) Changes in Long-Term Liabilities

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amount Due in One Year
<u>Governmental Activities:</u>					
Bonds Payable	\$104,779,568	\$0	\$2,950,000	\$101,829,568	\$3,175,000
School Bond Loan Fund	7,858,244	1,318,859	0	9,177,103	0
Contract Payable	260,000	0	20,000	240,000	20,000
Installment Contract	515,462	0	96,625	418,837	99,756
Employee Severance Plan	0	1,246,409	0	1,246,409	446,425
Compensated Absences	936,505	0	179,252	757,253	N/A
<u>Total Governmental Activities</u>	<u>\$114,349,779</u>	<u>\$2,565,268</u>	<u>\$3,245,877</u>	<u>\$113,669,170</u>	<u>\$3,741,181</u>

The payment dates of sick days payable are undeterminable. There is no scheduled repayment dates for the Michigan School Bond Loan payable. The interest expenditures on long-term obligations for the year were \$4,486,612.

12) OPERATING LEASES

The District leases various copy machines and postage meters. The leases have various starting dates and monthly amounts due. All the leases are for a sixty month term. The future minimum payments are as follows:

2008	\$ 23,575
2009	12,848
2010	4,039
2011	852
<u>TOTAL</u>	<u>\$ 41,314</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

	Receivables	Payables
General Fund	\$ 1,988,718	\$ 1,448,421
Debt Retirement Funds	974,053	671,425
Special Revenue Funds	478,250	1,299,874
Capital Projects Funds	5,698	5,547
Trust and Agency Funds	0	21,452
<u>TOTAL</u>	<u>\$ 3,446,719</u>	<u>\$ 3,446,719</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

TRANSFERS TO	TRANSFERS FROM		
	General Fund	Food Service	Total
General Fund	\$0	\$12,419	\$12,419
Athletics Fund	426,968	0	426,968
Childcare Fund	50,466	0	50,466
<u>TOTAL</u>	<u>\$477,434</u>	<u>\$12,419</u>	<u>\$489,853</u>

These transfers were made to subsidize the cost of services for athletics and childcare.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$2,952,401, \$2,735,035 and \$2,555,638, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from significant adverse financial impact.

17) GOVERNMENTAL REGULATION

Substantially all of the school district's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the school district expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENTS

In August, 2007, the District borrowed \$3,000,000 at 3.68% per annum from Chase Bank on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2007-2008 fiscal year.

OTHER SUPPLEMENTAL
INFORMATION

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	Special Revenue Funds	Debt Retirement Funds	1996 Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$827,256	\$64,749	\$846	\$892,851
Accounts Receivable	8,770	13,478	0	22,248
Due from Other Governmental Units	16,284	0	0	16,284
Due from Other Funds	478,250	974,053	0	1,452,303
Inventory	10,943	0	0	10,943
<u>TOTAL ASSETS</u>	<u>\$1,341,503</u>	<u>\$1,052,280</u>	<u>\$846</u>	<u>\$2,394,629</u>
<u>LIABILITIES</u>				
Accounts Payable	\$1,629	\$0	\$0	\$1,629
Due to Other Funds	1,299,874	671,425	5,547	1,976,846
Total Liabilities	\$1,301,503	\$671,425	\$5,547	\$1,978,475
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	10,943	0	0	10,943
Debt Retirement	0	380,855	0	380,855
Capital Projects	0	0	(4,701)	(4,701)
Unreserved:				
Undesignated, Reported In:				
Special Revenue Fund	29,057	0	0	29,057
Total Fund Balances	<u>\$40,000</u>	<u>\$380,855</u>	<u>(\$4,701)</u>	<u>\$416,154</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,341,503</u>	<u>\$1,052,280</u>	<u>\$846</u>	<u>\$2,394,629</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Fund	Debt Retirement Fund	1996 Capital Projects Fund	1998 Durant Capital Projects	Total Other Governmental Funds
<u>REVENUES</u>					
Local Sources	\$950,810	\$5,181,483	\$46	\$1,194	\$6,133,533
State Sources	107,046	0	0	0	107,046
Federal Sources	304,976	0	0	0	304,976
Total Revenues	<u>\$1,362,832</u>	<u>\$5,181,483</u>	<u>\$46</u>	<u>\$1,194</u>	<u>\$6,545,555</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers from (to) Other Funds	465,015	0	0	0	465,015
Bond Proceeds	0	1,318,859	0	0	1,318,859
Total Other Financing Sources (Uses)	<u>\$465,015</u>	<u>\$1,318,859</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,783,874</u>
Total Revenues & Other Financing Sources	<u>\$1,827,847</u>	<u>\$6,500,342</u>	<u>\$46</u>	<u>\$1,194</u>	<u>\$8,329,429</u>
<u>EXPENDITURES</u>					
Food Service	926,548	0	0	0	926,548
Athletics	555,032	0	0	0	555,032
Childcare	346,267	0	0	0	346,267
Debt Retirement	0	7,437,221	0	0	7,437,221
Capital Projects	0	0	2,100	0	2,100
Total Expenditures	<u>\$1,827,847</u>	<u>\$7,437,221</u>	<u>\$2,100</u>	<u>\$0</u>	<u>\$9,267,168</u>
Net Change in Fund Balance	<u>\$0</u>	<u>(\$936,879)</u>	<u>(\$2,054)</u>	<u>\$1,194</u>	<u>(\$937,739)</u>
<u>NET ASSETS - BEGINNING</u>	<u>40,000</u>	<u>1,317,734</u>	<u>(2,647)</u>	<u>(1,194)</u>	<u>1,353,893</u>
<u>NET ASSETS - ENDING</u>	<u>\$40,000</u>	<u>\$380,855</u>	<u>(\$4,701)</u>	<u>\$0</u>	<u>\$416,154</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUND
AS OF JUNE 30, 2007

	Food Services Fund	Athletic Fund	Childcare Fund	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$535,076	\$33,898	\$258,282	\$827,256
Accounts Receivable	8,770	0	0	8,770
Due from Other Governmental Units	6,079	0	10,205	16,284
Due from Other Funds	283	426,968	50,999	478,250
Inventory	10,943	0	0	10,943
<u>TOTAL ASSETS</u>	<u>\$561,151</u>	<u>\$460,866</u>	<u>\$319,486</u>	<u>\$1,341,503</u>
<u>LIABILITIES</u>				
Accounts Payable	\$361	\$217	\$1,051	\$1,629
Due to Other Funds	520,790	460,649	318,435	1,299,874
Total Liabilities	\$521,151	\$460,866	\$319,486	\$1,301,503
<u>FUND BALANCES</u>				
Fund Balance - Reserved for Inventory	10,943	0	0	10,943
Fund Balance - Unreserved and Undesignated	29,057	0	0	29,057
Total Fund Balance	\$40,000	\$0	\$0	\$40,000
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$561,151</u>	<u>\$460,866</u>	<u>\$319,486</u>	<u>\$1,341,503</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Food Services Fund	Athletic Fund	Childcare Fund	Total
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$569,804	\$0	\$0	\$569,804
Athletic Activities	0	120,993	0	120,993
Tuition	0	0	232,280	232,280
Earnings on Investments	13,241	7,071	7,421	27,733
Total Local Sources	\$583,045	\$128,064	\$239,701	\$950,810
<u>State Sources</u>				
State Reimbursements	50,946	0	56,100	107,046
<u>Federal Sources</u>				
Federal Reimbursements	277,061	0	0	277,061
Commodities	27,915	0	0	27,915
Total Federal Sources	\$304,976	\$0	\$0	\$304,976
Total Revenues	\$938,967	\$128,064	\$295,801	\$1,362,832
<u>OTHER FINANCING SOURCES</u>				
Transfers from General Fund	0	426,968	50,466	477,434
Total Revenues & Other Financing Sources	\$938,967	\$555,032	\$346,267	\$1,840,266
<u>EXPENDITURES</u>				
Salaries - Professional	45,136	46,840	48,960	140,936
Salaries - Non-Professional	244,354	219,709	194,573	658,636
Insurances	39,709	10,971	26,865	77,545
Fica, Retirement, Etc.	71,430	74,555	60,745	206,730
Other Benefits	0	1,065	150	1,215
Purchased Services	15,481	127,520	3,630	146,631
Supplies and Materials	482,950	4,337	9,385	496,672
Capital Outlay	19,610	31,410	1,959	52,979
Other	7,878	38,625	0	46,503
Total Expenditures	\$926,548	\$555,032	\$346,267	\$1,827,847
<u>OTHER FINANCING USES</u>				
Transfers to General Fund	12,419	0	0	12,419
Total Expenditures & Other Financing Uses	\$938,967	\$555,032	\$346,267	\$1,840,266
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	\$0	\$0	\$0	\$0
<u>FUND BALANCE - BEGINNING OF YEAR</u>	40,000	0	0	40,000
<u>FUND BALANCE - END OF YEAR</u>	\$40,000	\$0	\$0	\$40,000

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUND
AS OF JUNE 30, 2007

	1995 Debt Fund	1998 Debt Fund	2006 Debt Fund	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$22,365	\$33,695	\$8,689	\$64,749
Accounts Receivable	2,028	7,197	4,253	13,478
Due from Other Funds	167,240	806,813	0	974,053
<u>TOTAL ASSETS</u>	<u>\$191,633</u>	<u>\$847,705</u>	<u>\$12,942</u>	<u>\$1,052,280</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$0	\$0	\$671,425	\$671,425
<u>FUND BALANCES</u>				
Fund Balance - Reserved for Debt Retirement	191,633	847,705	(658,483)	380,855
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$191,633</u>	<u>\$847,705</u>	<u>\$12,942</u>	<u>\$1,052,280</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT RETIREMENT FUND
FOR THE YEAR ENDED JUNE 30, 2007

	1995 Debt Fund	1998 Debt Fund	2006 Debt Fund	Total After Interfund Eliminations
<u>REVENUES</u>				
<u>Local Sources</u>				
Current Taxes	\$764,832	\$2,712,543	\$1,603,374	\$5,080,749
Earnings on Investments and Deposits	25,047	68,152	7,535	100,734
Total Local Sources	<u>\$789,879</u>	<u>\$2,780,695</u>	<u>\$1,610,909</u>	<u>\$5,181,483</u>
<u>OTHER FINANCING SOURCES</u>				
Bond Proceeds	0	0	1,318,859	1,318,859
Total Revenues & Other Financing Sources	<u>\$789,879</u>	<u>\$2,780,695</u>	<u>\$2,929,768</u>	<u>\$6,500,342</u>
<u>EXPENDITURES</u>				
Principal	785,000	1,515,000	650,000	2,950,000
Interest	126,555	1,421,919	2,938,138	4,486,612
Other	176	320	113	609
Total Expenditures	<u>\$911,731</u>	<u>\$2,937,239</u>	<u>\$3,588,251</u>	<u>\$7,437,221</u>
<u>EXCESS REVENUES OVER (UNDER)</u>				
<u>EXPENDITURES</u>	(\$121,852)	(\$156,544)	(\$658,483)	(\$936,879)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	313,485	1,004,249	0	1,317,734
<u>FUND BALANCE - END OF YEAR</u>	<u>\$191,633</u>	<u>\$847,705</u>	<u>(\$658,483)</u>	<u>\$380,855</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROMLocal Sources

Current Taxes	\$1,500,094
Earnings on Investments and Deposits	358,183
Tuition	92,651
Community Services	78,468
Transportation	80,917
Medicaid	76,443
Other Local Revenues	271,208
Total Revenues from Local Sources	<u>\$2,457,964</u>

State Sources

State Aid - Membership - Sec. 20	23,511,029
At Risk	274,450
Special Education	1,164,284
Durant	78,679
Vocational Education	33,853
Other State Grants	79,279
Total Revenues from State Sources	<u>\$25,141,574</u>

Federal Sources

Title I	201,124
Technology Literacy Challenge	2,276
Title V	756
Limited English	5,225
Improving Teacher Quality	101,064
Vocational Education	37,659
Safe & Drug Free Schools	7,291
Special Education - Flowthrough	720,756
Preschool - Flowthrough	23,166
Medicaid	2,634
Other Grants	2
Total Revenues from Federal Sources	<u>\$1,101,953</u>
Total Revenues	<u>\$28,701,491</u>

OTHER FINANCING SOURCES

Transfers from Other Funds	12,419
County Special Education Tax	1,091,512
Total Other Financing Sources	<u>\$1,103,931</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$29,805,422

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBasic Programs

Elementary	\$6,935,362
Middle School	2,374,146
High School	4,589,829
Other Basic Programs	7,098
Total Basic Programs	<u>\$13,906,435</u>

Added Needs

Special Education	2,197,341
Compensatory Education	357,638
Vocational Education	88,404
Total Added Needs	<u>\$2,643,383</u>
Total Instruction	<u>\$16,549,818</u>

SUPPORT SERVICESStudent Services

Pupil Guidance	753,340
Health Services	66,994
Speech	399,508
Social Work Services	241,338
Other Pupil Services	272,841
Total Student Services	<u>\$1,734,021</u>

Instructional Staff

Improvement of Instruction	310,497
Other Services	603,601
Total Instructional Staff	<u>\$914,098</u>

General Administration

Board of Education	88,002
Executive Administration	322,519
Total General Administration	<u>\$410,521</u>

Other Support

School Administration	1,510,223
Business Office	674,337
Operation & Maintenance	3,226,916
Transportation	1,954,299
Other Support Services	726,295
Total Other Support	<u>8,092,070</u>
Total Support Services	<u>\$11,150,710</u>

COMMUNITY SERVICES

Community Education	168,336
Aquatics Center	190,224
Total Community Services	<u>\$358,560</u>
Total Expenditures	<u>\$28,059,088</u>

OTHER FINANCING USES

Transfers to Other Funds	477,434
Loan Payments	113,326
Other Transfers	108,006
Transfers to Other Districts	297,706
Total Other Financing Uses	<u>\$996,472</u>

TOTAL EXPENDITURES & OTHER FINANCING USES

\$29,055,560

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
Athletic Boosters	\$3,026	\$7,006	\$9,833	\$199
Athletic Department	6,661	12,383	18,009	1,035
Athletic Game Officials	436	30,000	30,436	0
Athletic Trainer	1	1,631	81	1,551
Belle Ann - General	6,087	9,580	8,204	7,463
Belle Ann - Library	3,052	8,755	7,761	4,046
Belle Ann - Pop Fund	2,885	685	987	2,583
BFIS - Activities	0	3,703	182	3,521
BFIS - Camp Tamarack	1,062	6,211	6,005	1,268
BFIS - General	12,735	3,441	6,740	9,436
BFIS - Library	5,911	12,141	9,477	8,575
BFIS - PE Activities	0	2,079	459	1,620
BFIS - School Store	2,341	1,771	1,590	2,522
BFIS - Senior Citizens Dinner	1,787	1,495	1,507	1,775
BFIS - Student Council	1,233	35	581	687
Board of Education Tree Dedication	165	0	0	165
Central Office - General	1,238	50	862	426
Central Office - In and Out	250	0	0	250
Central Office - Pop Fund	615	10,723	10,727	611
Class Refund In/Out	110	0	0	110
Community Ed Choices	270	781	697	354
Community Ed Choices Scholarship	450	200	0	650
Deborah Rader Library Fund	0	1,065	0	1,065
Girls Golf	0	1,493	1,429	64
Harvey Swanson - Casual for a Cause	49	604	500	153
Harvey Swanson - Chess Club	218	0	0	218
Harvey Swanson - General	258	14,515	12,792	1,981
Harvey Swanson - Library	2,498	11,746	12,461	1,783
Harvey Swanson - Pop Fund	101	1,027	980	148
Hockey Boosters	0	9,172	8,871	301
HS - Art	2,842	6,230	8,812	260
HS - Band	66	400	412	54
HS - Baseball	1,280	12,523	12,549	1,254
HS - Boy/Girls Cross Country	1,395	1,799	1,137	2,057
HS - Boys Basketball	1,680	10,411	7,141	4,950
HS - Boys Soccer	411	20,146	20,146	411
HS - Boys Swimming	1,612	10,051	10,999	664
HS - Boys Tennis	1,188	3,721	4,203	706
HS - Boys Varsity Club	255	0	0	255
HS - Business Pro of America	231	0	100	131
HS - Casual for a Cause	1,506	398	292	1,612
HS - Cheerleading	2,843	54,132	53,237	3,738
HS - Choral Music	9,950	420	9,702	668
HS - Class of 1995	6	0	0	6
HS - Class of 1996	278	0	278	0
HS - Class of 1997	3,913	0	800	3,113

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
HS - Class of 1998	\$698	\$0	\$0	\$698
HS - Class of 2000	2,011	0	0	2,011
HS - Class of 2002	875	0	0	875
HS - Class of 2003	1,311	0	0	1,311
HS - Class of 2004	305	0	0	305
HS - Class of 2005	545	0	0	545
HS - Class of 2006	150	0	69	81
HS - Class of 2007	2,466	126	1,317	1,275
HS - Class of 2008	726	17,943	14,300	4,369
HS - Class of 2009	96	1,715	1,950	(139)
HS - Class of 2010	0	600	464	136
HS - Debate	349	0	0	349
HS - Earth Club	930	0	0	930
HS - Equestrian	61	0	61	0
HS - Fashion Club	814	707	1,521	0
HS - Football	6,521	38,350	32,792	12,079
HS - French Club	15,027	4,113	2,892	16,248
HS - General	31,789	37,798	67,811	1,776
HS - Girls Basketball	91	4,147	3,742	496
HS - Girls Soccer	1,652	5,667	3,889	3,430
HS - Girls Swimming	2,322	9,450	10,750	1,022
HS - Girls Tennis	606	2,554	2,335	825
HS - Girls/Boys Track	2,308	9,320	10,731	897
HS - Golf	100	230	320	10
HS - Hockey	158	23,093	23,235	16
HS - Industrial Arts	764	0	0	764
HS - Journalism	30,505	59,667	90,172	0
HS - Library	494	8	0	502
HS - Literary Club	259	0	0	259
HS - Locker Art	353	0	0	353
HS - Memorial Fund	1,884	0	0	1,884
HS - Musical	4,896	18,303	6,753	16,446
HS - National Honor Society	701	4,540	4,114	1,127
HS - Newspaper	100	0	0	100
HS - Parent Advisory Group	50	0	0	50
HS - Parking Passes	2,027	8,741	526	10,242
HS - PE Department	8	0	0	8
HS - Pompon	784	14,817	15,322	279
HS - Pop Fund	112	26	138	0
HS - School Store	3	1,031	0	1,034
HS - Science is Fun	19	24	0	43
HS - Senior Lockin	407	11,016	10,635	788
HS - Ski Team	0	1,185	1,131	54
HS - Softball	1,709	4,092	4,945	856
HS - Spanish Club	925	3,499	3,900	524
HS - Speech	183	26	0	209

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
HS - Stage & Drama	\$1,997	\$1,375	\$1,875	\$1,497
HS - Student Council	4,741	25,383	28,643	1,481
HS - Students Against Drunk Driving	495	0	0	495
HS - Tiffany Lambris Memoria	749	221	200	770
HS - Volleyball	3,156	14,507	15,615	2,048
HS - Woodshop	381	868	1,249	0
HS - Wrestling	1,941	1,219	2,912	248
HSE - Larry Appleton Memorial Func	402	0	0	402
HT Burt - General	8,370	4,913	6,430	6,853
HT Burt - Library	1,323	7,036	7,651	708
Interest Revenue	18,227	17,095	423	34,899
MS - Boys Basketball	611	576	576	611
MS - Boys Cross Country	85	1,215	866	434
MS - Cheerleading	445	6,178	5,762	861
MS - General	22,866	9,617	11,505	20,978
MS - Girls Basketball	695	592	555	732
MS - Library	220	3,784	2,451	1,553
MS - Program Projects	9,865	3,688	2,876	10,677
MS - School Pop Fund	821	409	630	600
MS - Soccer	0	931	925	6
MS - Store	377	1	0	378
MS - Student Council	(10)	38,142	33,806	4,326
MS - Track	0	2,346	2,301	45
MS - Volleyball	0	1,755	1,753	2
MS - Wrestling	1,137	867	751	1,253
MS - Yearbook	1,102	3,337	483	3,956
School Bond Elections	500	0	0	500
Sherman Court General	7,494	4,509	5,670	6,333
Special Ed - Bees	1	0	0	1
Special Ed - Brandon Print Shop	8,771	16,964	16,903	8,832
Special Ed - Coffee Shop HS	4,651	9,100	6,290	7,461
Special Ed - General	2,925	4,586	4,904	2,607
Special Ed - MS Voc.	1,261	0	0	1,261
Sports Camps	11,642	4,815	16,457	0
Sports Camps Registration	875	2,518	0	3,393
Transportation Robot Account	893	0	0	893
Weight Lifting	197	0	158	39
<u>TOTAL</u>	<u>\$320,195</u>	<u>\$743,858</u>	<u>\$777,414</u>	<u>\$286,639</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Date of Issue - October 24, 1995 Original amount of issue - \$7,920,000

1995 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2007-2008	\$43,260	\$43,260	5.250%	\$820,000	\$906,520
2008-2009	21,735	21,735	5.400%	805,000	848,470
<u>TOTAL</u>	<u>\$64,995</u>	<u>\$64,995</u>		<u>\$1,625,000</u>	<u>\$1,754,990</u>

Date of Issue - November 24, 1998 Original amount of issue - \$786,787

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2008	\$0	4.761353%	\$0	\$0
2009	103,655	4.761353%	267,567	371,222
2010	9,380	4.761353%	45,870	55,250
2011	7,196	4.761353%	48,055	55,251
2012	4,908	4.761353%	50,340	55,248
2013	2,511	4.761353%	52,736	55,247
<u>TOTAL</u>	<u>\$127,650</u>		<u>\$464,568</u>	<u>\$592,218</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Date of Issue - February 17, 1998

Original amount of issue - \$29,795,000

1998 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2008-2009	\$678,008	\$678,008	5.125%	\$1,505,000	\$2,861,016
2009-2010	639,442	639,443	4.550%	1,510,000	2,788,885
2010-2011	605,090	605,090	4.650%	1,500,000	2,710,180
2011-2012	570,215	570,215	4.750%	1,495,000	2,635,430
2012-2013	534,709	534,709	4.850%	1,485,000	2,554,418
2013-2014	498,698	498,697	4.900%	1,480,000	2,477,395
2014-2015	462,437	462,438	4.950%	1,470,000	2,394,875
2015-2016	426,055	426,055	5.000%	1,460,000	2,312,110
2016-2017	389,555	389,555	5.050%	1,450,000	2,229,110
2017-2018	352,943	352,942	5.100%	1,445,000	2,150,885
2018-2019	316,095	316,095	5.100%	1,440,000	2,072,190
2019-2020	279,375	279,375	5.000%	1,430,000	1,988,750
2020-2021	243,625	243,625	5.000%	1,425,000	1,912,250
2021-2022	208,000	208,000	5.000%	1,415,000	1,831,000
2022-2023	172,625	172,625	5.000%	1,405,000	1,750,250
2023-2024	137,500	137,500	5.000%	1,395,000	1,670,000
2024-2025	102,625	102,625	5.000%	1,380,000	1,585,250
2025-2026	68,125	68,125	5.000%	1,370,000	1,506,250
2026-2027	33,875	33,875	5.000%	1,355,000	1,422,750
<u>TOTAL</u>	<u>\$6,718,997</u>	<u>\$6,718,997</u>		<u>\$27,415,000</u>	<u>\$40,852,994</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Date of Issue - June 14, 2006

Original amount of issue - \$72,975,000

2006 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2008-2009	\$1,655,344	\$1,655,343	4.000%	\$850,000	\$4,160,687
2009-2010	1,638,343	1,638,344	4.000%	1,550,000	4,826,687
2010-2011	1,607,344	1,607,343	4.000%	2,575,000	5,789,687
2011-2012	1,555,843	1,555,844	4.000%	2,575,000	5,686,687
2012-2013	1,504,344	1,504,343	4.000%	2,575,000	5,583,687
2013-2014	1,452,843	1,452,844	5.000%	2,575,000	5,480,687
2014-2015	1,388,468	1,388,469	5.000%	2,575,000	5,351,937
2015-2016	1,324,094	1,324,094	5.000%	2,575,000	5,223,188
2016-2017	1,259,719	1,259,719	4.000%	2,575,000	5,094,438
2017-2018	1,208,219	1,208,219	5.000%	2,575,000	4,991,438
2018-2019	1,143,844	1,143,844	5.000%	2,575,000	4,862,688
2019-2020	1,079,469	1,079,469	5.000%	2,575,000	4,733,938
2020-2021	1,015,094	1,015,094	4.250%	2,575,000	4,605,188
2021-2022	960,375	960,375	4.375%	2,600,000	4,520,750
2022-2023	903,500	903,500	5.000%	2,600,000	4,407,000
2023-2024	838,500	838,500	5.000%	2,600,000	4,277,000
2024-2025	773,500	773,500	5.000%	2,600,000	4,147,000
2025-2026	708,500	708,500	4.500%	2,600,000	4,017,000
2026-2027	650,000	650,000	4.500%	2,600,000	3,900,000
2027-2028	591,500	591,500	4.500%	2,600,000	3,783,000
2028-2029	533,000	533,000	4.500%	2,600,000	3,666,000
2029-2030	474,500	474,500	4.500%	2,600,000	3,549,000
2030-2031	416,000	416,000	4.500%	2,600,000	3,432,000
2031-2032	357,500	357,500	4.500%	2,600,000	3,315,000
2032-2033	299,000	299,000	4.500%	2,600,000	3,198,000
2033-2034	240,500	240,500	4.500%	2,600,000	3,081,000
2034-2035	182,000	182,000	4.500%	2,600,000	2,964,000
2035-2036	123,500	123,500	4.500%	2,600,000	2,847,000
2036-2037	65,000	65,000	5.000%	2,600,000	2,730,000
<u>TOTAL</u>	<u>\$25,949,843</u>	<u>\$25,949,844</u>		<u>\$72,325,000</u>	<u>\$124,224,687</u>

BRANDON SCHOOL DISTRICT

ORTONVILLE, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

CONTENTS

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 4
Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	5 – 6
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	7
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	8
Summary of Findings and Questioned Costs for the year ended June 30, 2007	9 – 10
Status of Prior Year Findings	11



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 3, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Brandon School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brandon School District, as of and for the year ended June 30, 2007, which collectively comprise the Brandon School District's basic financial statements and have issued our report thereon dated October 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brandon School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brandon School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Brandon School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Brandon School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Brandon School District's financial statements that is more than inconsequential will not be prevented or detected by the Brandon School District's internal control. We consider the deficiencies identified as 2007-1 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Brandon School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.



Brandon School District
Page 2
October 3, 2007

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brandon School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Brandon School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Brandon School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 3, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Brandon School District

Compliance

We have audited the compliance of Brandon School District with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Brandon School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Brandon School District's management. Our responsibility is to express an opinion on Brandon School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brandon School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Brandon School District's compliance with those requirements.

In our opinion, Brandon School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questions costs as item 2007-2.

Internal Control Over Compliance

The management of Brandon School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Brandon School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brandon School District's internal control over compliance.



Brandon School District
Page 2
October 3, 2007

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brandon School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 3, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Brandon School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (05-06)		61530-0506	\$143,835
ESEA Title I - Regular (05-06)		51530-0506	9,972
ESEA Title I - Regular (06-07)		71530-0607	224,103
Total ESEA Title I			<u>\$377,910</u>
Safe and Drug Free Schools	84.186		
Safe and Drug Free Schools (04-05)		42860-0405	3,533
Safe and Drug Free Schools (06-07)		72860-0607	9,431
Total Safe and Drug Free Schools			<u>\$12,964</u>
Special Education - Grants to States	84.027		
Service Provider Self Review		60440-SPSR	4,400
Innovative Education Program Strategies	84.298		
Title V (06-07)		70250-0607	756
Technology Literacy Challenge	84.318		
Technology Literacy Challenge (05-06)		64290-0506	2,683
Technology Literacy Challenge (06-07)		74290-0607	2,276
Total Technology Literacy Challenge			<u>\$4,959</u>
Improving Teacher Quality	84.367		
Title IIA (05-06)		60520-0506	71,894
Title IIA C/O (06-07)		60520-0607	16,499
Title IIA (06-07)		70520-0607	89,004
Total Improving Teacher Quality			<u>\$177,397</u>
Total Passed Through Michigan Department of Education			<u>\$578,386</u>
Passed Through Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (06-07)		70450-067	732,306
IDEA Flow Through (05-06)		60450-0506	731,326
IDEA Flow Through (04-05)		50450-0405	692,811
Total Special Education - Grants to States			<u>\$2,156,443</u>
Vocational Education - Basic Grants to States:	84.048		
Perkins Secondary Regional (05-06)		63520-7012	41,154
Perkins Secondary Regional (06-07)		73520-7012	37,659
Total Vocational Education - Basic Grants to States:			<u>\$78,813</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$21,849	\$143,835	\$0	\$0	\$21,849	\$0
172	9,972	0	0	172	0
0	0	201,124	0	89,218	111,906
\$22,021	\$153,807	\$201,124	\$0	\$111,239	\$111,906
(1,587)	1,848	1,587	0	0	0
0	0	5,704	0	0	5,704
(\$1,587)	\$1,848	\$7,291	\$0	\$0	\$5,704
3,643	3,643	2	0	3,645	0
0	0	756	0	0	756
1,279	2,683	0	0	1,279	0
0	0	2,276	0	125	2,151
\$1,279	\$2,683	\$2,276	\$0	\$1,404	\$2,151
7,769	71,894	0	0	7,769	0
0	0	16,499	0	9,040	7,459
0	0	84,565	0	32,632	51,933
\$7,769	\$71,894	\$101,064	\$0	\$49,441	\$59,392
\$33,125	\$233,875	\$312,513	\$0	\$165,729	\$179,909
0	0	617,994	0	303,100	314,894
196,649	0	102,762	0	264,883	34,528
18,213	671,607	0	0	18,213	0
\$214,862	\$671,607	\$720,756	\$0	\$586,196	\$349,422
24,684	41,134	0	0	24,684	0
0	0	37,659	0	18,366	19,293
\$24,684	\$41,134	\$37,659	\$0	\$43,050	\$19,293

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
Special Education - Preschool Grants	84.173		
IDEA Preschool Incentive (05-06)		60460-0506	\$29,907
IDEA Preschool Incentive (06-07)		70460-0607	25,389
Total Special Education - Preschool Grants			<u>\$55,296</u>
Total Passed Through Intermediate School District			\$2,290,552
Passed Through Lake Orion Schools			
Limited English Proficient Grant	84.365	N/A	<u>8,373</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$2,877,311
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	27,915
School Breakfast Program	10.553	N/A	40,532
National School Lunch Program	10.555	N/A	<u>236,529</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$304,976
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Oakland Livingston Human Service Agency (OLHSA)			
Head Start 2006	93.600	N/A	120,975
Passed Through Oakland ISD			
Medical Assistance Program Title XIX	93.558		
Medicaid Transportation Claims		N/A	<u>2,634</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			<u>\$123,609</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$3,305,896</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$9,676	\$29,635	\$272	\$0	\$9,892	\$56
0	0	22,894	0	11,955	10,939
\$9,676	\$29,635	\$23,166	\$0	\$21,847	\$10,995
\$249,222	\$742,376	\$781,581	\$0	\$651,093	\$379,710
(5,225)	3,148	5,225	0	0	0
\$277,122	\$979,399	\$1,099,319	\$0	\$816,822	\$559,619
0	0	27,915	0	27,915	0
0	0	40,532	0	40,532	0
0	0	236,529	0	236,529	0
\$0	\$0	\$304,976	\$0	\$304,976	\$0
17,611	61,468	0	0	17,611	0
0	0	2,634	0	0	2,634
\$17,611	\$61,468	\$2,634	\$0	\$17,611	\$2,634
\$294,733	\$1,040,867	\$1,406,929	\$0	\$1,139,409	\$562,253

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$1,406,929

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund \$1,101,953

School Service Fund 304,976

TOTAL \$1,406,929

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$460,315
<u>Less:</u> State Funded Grants School Breakfast Program			(17,525)
<u>Add:</u> Adjustment to Safe and Drug Free 04-05 grant on R7120			
<u>Add:</u> Grants Passed Through Intermediate School District:			
Special Education - State Grants (CFDA 84.027)	\$586,196		
Vocational Education (CFDA 84.048)	43,050		
Special Education - Preschool Grants (CFDA 84.173)	21,847		
Total Passed Through Intermediate School District			651,093
Passed Through Oakland Livingston Human Service Agency (OLHSA) Headstart (CFDA 93.600)			17,611
Entitlement and Bonus Commodities (CFDA 10.550)			27,915
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$1,139,409</u>

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Significant deficiency(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.027/84.173

Name of Federal Program or Cluster
Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2007-1)

Effective for the year ended December 31, 2006, Statement on Auditing Standards #112 titled, *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and the footnotes required in the annual audit. Based upon discussions with management and audit work performed in the current year, the District has the capability to perform monthly internal accounting functions and provide timely reports as requested by the board. The District does not have the personnel with qualifications and training necessary to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America. The staff of the District does understand all information included in the financial statements; however we assist in preparing the annual financial statements and footnotes. We believe this meets the definition of a significant deficiency as defined in Statement of Auditing Standards #112. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-2) Special Education Cluster (CFDA 84.027 & 84.173)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee”.
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

BRANDON SCHOOL DISTRICT - ORTONVILLE, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

2006-1) Special Education Cluster (CFDA 84.027 & 84.173)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Status :</u>	Not yet full corrected.
<u>Questioned Cost:</u>	None.